

CORRECTED FISCAL NOTE

HB 3269 - SB 3556

February 25, 2008

SUMMARY OF BILL: Exempts school support organizations from paying state and local sales tax on any sales of tangible personal property or services when the proceeds of such are donated by the organization to a school, school district, school club, or for academic, arts, athletic, or social activities related to schools.

ESTIMATED FISCAL IMPACT:

On February 1, 2008, we issued a fiscal note for this bill indicating a decrease of state revenue of \$948,000 per year and a decrease of local government revenue of \$304,800 per year. Based on additional information received from the Department of Revenue and the Secretary of State, the fiscal impact of this bill is estimated as follows:

(CORRECTED)

Decrease State Revenue - \$982,800

Decrease Local Revenue - \$315,900

Assumptions:

- Based on information obtained from the website of the Secretary of State (SOS) on charitable organizations, there are approximately 5,400 charitable organizations authorized to operate in Tennessee (approximately 4,000 are registered with the SOS; approximately 1,400 are exempt from registration as a result of receiving less than \$30,000 per year from public donations, grants, etc.).
- 10% of all charitable organizations are organized as school support organizations (approximately 540).
- The Commissioner of Revenue issues exemption certificates to approximately 65% (or 351) of the school support organizations as required by the bill.

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- Taxable sales for school support organizations are estimated to average \$40,000 per organization.
- Total taxable sales are estimated to be \$14,040,000 (351 organizations x \$40,000 = \$14,040,000) per year.
- The current state sales tax rate is 7.0%.
- The decrease to state revenue is estimated to be \$982,800 ($\$14,040,000 \times 7.0\% = \$982,800$) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease to local government revenue is estimated to be \$315,900 ($\$14,040,000 \times 2.25\% = \$315,900$) per year.
- The Department of Revenue has indicated that this bill would not create an additional one-time increase to state expenditures for computer changes because the bill exempts the sales of the organization. As a result, an exemption certificate would be issued and no necessary form or system changes would be required.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

/rnc